

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 2
(MC2013-51)
Negotiated Service Agreement

Docket No. CP2015-127

PUBLIC REPRESENTATIVE COMMENTS ON
GLOBAL RESELLER EXPEDITED PACKAGE 2
NEGOTIATED SERVICE AGREEMENT

(August 24, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2667.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing a functionally equivalent Global Reseller Expedited Package 2 (GREP 2) negotiated service agreement (Agreement).² Customers for GREP 2 contracts are resellers that market Priority Mail Express International (PMEI), Priority Mail International (PMI) and/or First-Class Package International Service (FCPIS) at discounted prices to their customers, especially small- or medium-sized businesses. Notice at 4.

Prices and classifications not of general applicability for GREP contracts were previously established by Governors' Decision No. 10-1.³ In Order No. 1746, the

¹ Notice and Order Concerning Additional Global Reseller Expedited Package 2 Negotiated Service Agreement, August 17, 2015 (Order No. 2667).

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement, August 14, 2015 (Notice).

³ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Reseller Expedited Package Contracts (Governors' Decision No. 10-1). See Docket Nos. MC2010-21 and CP2010-36, Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal)

Commission designated the contract subject of Docket Nos. MC2013-51 and CP2013-64 as the baseline agreement for the future GREP 2 future agreements.⁴

The proposed effective day of the Agreement is 30 days after all regulatory approvals. The Agreement is set to expire one year after its effective date. *Contract Article 11* at 2-3.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and supporting documentation filed under seal with the Notice. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, it appears that the negotiated prices in the Agreement should generate sufficient revenues to cover costs.

Functional Equivalence. The Postal Service asserts that the Agreement "shares similar cost and market characteristics" with the baseline contract subject of Docket Nos. MC2013-51 and CP2013-64. *Id.* at 4-5. While there are numerous differences between the baseline agreement and the proposed agreement, most of these are typographical. The Postal Service states that this agreement is focused on the same market segment and pertains to the same products. Thus, the Postal Service has made a positive showing of functional equivalence.

Requirements of 39 U.S.C. § 3633. Pursuant to section 3633(a), prices for competitive products must cover each product's attributable costs, not result in subsidization of competitive products by market dominant products, and ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial worksheets filed under seal with the Postal Service's Notice, it appears that the negotiated prices satisfy the requirements of section 3633(a). One note of importance is Article 7 of the contract,

of Contract and Enabling Governors' Decision, March 29, 2010 (Request).

⁴ Order Adding Global Reseller Expedited Package Contracts 2 to the Competitive Product List Negotiated Service Agreement, June 13, 2013 (Order 1746).

which details the mechanism for changing the contract prices. The Public Representative believes that article 7 will help ensure that the contract covers complies with the requirements of section 3633.

Other Considerations. The Public Representative suggests that the Postal Service should notify the Commission of the effective date of the Agreement. The Public Representative is also mindful that the Postal Service informs the Commission if the contract terminates earlier than scheduled.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

JP Klingenberg
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6863
Klingejp@prc.gov